

PRESS CUTTING

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UK plans to scrap fixed retirement at age 65

- * Proposal will end default retirement at 65
- * Business leaders say plans coming too soon
- * Review will look at when to raise state pension age

By Michael Holden

LONDON, July 29 (Reuters) - Britain announced plans to scrap the fixed retirement age next year, saying it wanted to give people the chance to work beyond 65, but business leaders warned the move would create serious problems.

Currently, employers can force staff to retire at the age of 65 regardless of their circumstances and without having to pay any financial compensation.

Under the government's consultation proposals, the default retirement age (DRA) would begin to be phased out from April 2011 and come to an end by October next year.

Ministers said the move was designed to give people more choice as they enjoyed longer and healthier lives.

However, with Britain needing to cut public spending to address a record budget deficit, the move would see people paying tax for longer.

In January, Britain's Equality and Human Rights Commission argued that abolishing the DRA would inject 15 billion pounds (\$23.43 billion) into the economy.

The proposals will also include a review of when the state pension age should be increased to 66 and to re-establish the link between earnings and the basic state pension.

"With more and more people wanting to extend their working lives we should not stop them just because they have reached a particular age," said Employment Relations Minister Edward Davey.

"Older workers bring with them a wealth of talent and experience as employees and entrepreneurs. They have a vital contribution to make to our economic recovery and long-term prosperity."

"NOTHING TO FEAR"

The Employers Forum on Age described the move as "an incredible leap forward" and said companies had nothing to fear, and firms which had chosen to get rid of the DRA were reaping benefits.

However, the Confederation of British Industry said the compulsory retirement age allowed employers to plan for the future and added the speed of the proposed change left business with little time to prepare. "Scrapping the DRA will leave a vacuum, and raise a large number of complex legal and employment questions, which the government has not yet addressed," said John Cridland, the CBI's deputy director-general.

"For employers, these proposals could make workforce planning and providing some employment benefits, such as critical illness cover, next to impossible."

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The government said the plans would still make it possible for certain employers to operate a compulsory redundancy scheme if it could be justified, citing air traffic controllers and police officers as examples. But manufacturers' organisation the EEF said the government was giving out contradictory messages.

"There is also a real danger that it could open a Pandora's box with the onus being placed on employers to prove whether older employees are capable of continuing in their current role," said David Yeandle, EEF's Head of Employment Policy.

Employment lawyers agreed that the change would lead to more disputes.

"That will generate work for lawyers, create pressure on employment tribunals and damage workplace relationships," said **Ronnie Fox**, Principal of **Fox Lawyers**.

The government said responses to its consultation on the proposals should be submitted before Feb. 1.
(Reporting by Michael Holden. Editing by David Brough)